

A photograph of two people in a red inflatable raft navigating a turbulent river with large, dark rocks and white water rapids. The rafters are wearing blue life jackets and hats. The scene is dynamic, with water splashing around the raft.

FISCAL YEAR 2003

# Annual Report

National Park Service  
Concession Program

## Letter from the Concession Program Manager

This is the second year of the National Park Service Concession Program (“NPSCP”) Annual Report. As I look back upon the past three years, I realize that the NPSCP has come close to realizing the vision of developing a truly National Concession Program. Despite the significant progress that has been made, challenges will continue as we reposition the NPSCP to embrace accountability and integration. The more conditions change, the more there will be to accomplish. If we were to evaluate what has really occurred over the past three years in response to PL 105-391, one might say we have basically rebuilt the infrastructure of the National Park Service Concession Program. And with that has come a significant reevaluation and rewrite of national concession policy.

With our friends in the administration, from other government agencies, other internal National Park Service (“NPS”) programs and with our private sector partners, it is now time to take the program to the next level. But before we do, let’s celebrate:

- The vision and commitment of our concession employees, and hard working managers who have taken on the important work of professional growth and management succession;
- Hundreds of new concession contracts that emulate private sector business practices while protecting park resources, ensuring the very highest quality of services and facilities to our visitors, and providing a predictable and stable economic platform by which a private business can invest and operate with certainty;
- Our concessioner partners, with whom, under the auspices of the Concession Management Advisory Board, we are talking and working together to solve issues of concern to both parties; partners within the private sector who are assisting us in supplementing our talented but limited capacity, and to our developing partnerships which will serve as a propellant to senior management positions in the future;
- Lastly, and most importantly, let’s celebrate each other; embracing an understanding of the very different pressures we all face-in the Parks, in the Regions and in the Washington office. One national program takes all of us working together and supporting each other in the midst of these pressures.

The past four years have been some of the more professionally challenging of my career, yet most rewarding. I appreciate your support and look forward to working with you over the coming years, back in the field, working for one National Park Service.



# General Information

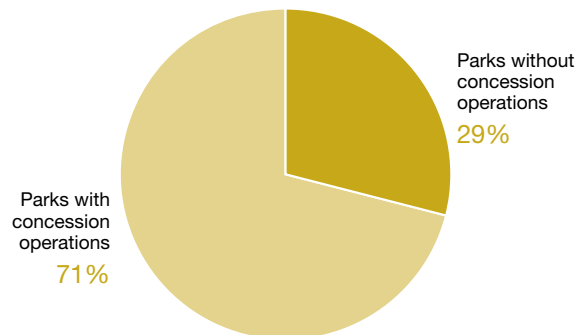
The National Park Service Concession Program administers 584 concession contracts generating more than \$806 million in annual gross revenue across 127 parks and areas located in most US states and territories.

2001 NPSCP AFR Database.

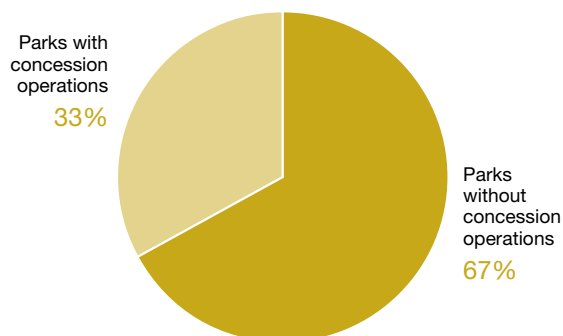
*“Our National Park System is the envy of the world. Our breathtaking sites pay tribute to America’s past and the principles upon which our great nation was founded... By bringing families to our parks, we open the door to a lifetime of loving our National Parks.”*

*Gale Norton, Secretary of the Interior*

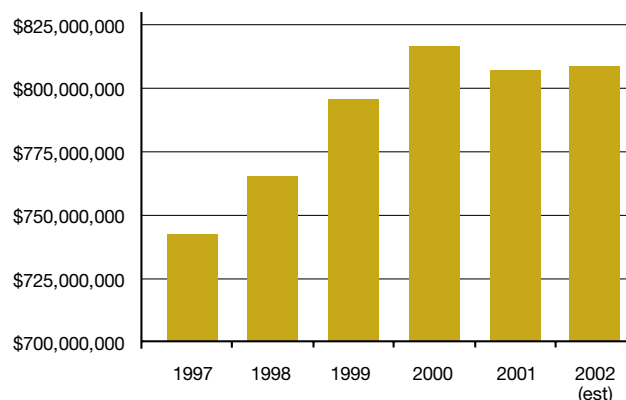
Distribution of National Park Service Visitors



Distribution of National Park Service Parks and Areas



Annual Concessioner Gross Revenue



The National Park Service will provide, through the use of concession contracts, commercial visitor services within the parks that are necessary and appropriate for visitor use and enjoyment. Concession operations will be consistent with the protection of park resources and values and demonstrate sound environmental management and stewardship.

*The National Park Service, Commercial Visitor Services Management Policy*



# Program Overview



The following provides an overview of the National Park Service Concession Program. It should be noted that all information in this summary section was obtained from the 2001 Annual Financial Report (“AFR”) database, which is the most current comprehensive data available. AFR information is compiled on a calendar-year basis. However, all other sections of this report present information on a FY03 basis unless otherwise noted.

The National Park Service Concession Program oversees 584 concession contracts that generated more than \$806 million in gross revenue in 2001. The 52 largest concession contracts, those generating more than \$3 million dollars in annual gross revenue, generate more than 80 percent of total concessioner gross revenue. In contrast, the more than 75 percent of contracts generating less than \$500,000 account for six percent of concessioner gross revenue. The table to the right illustrates the distribution of concession contracts by gross revenue.

## Concession Contract Distribution by Gross Revenue

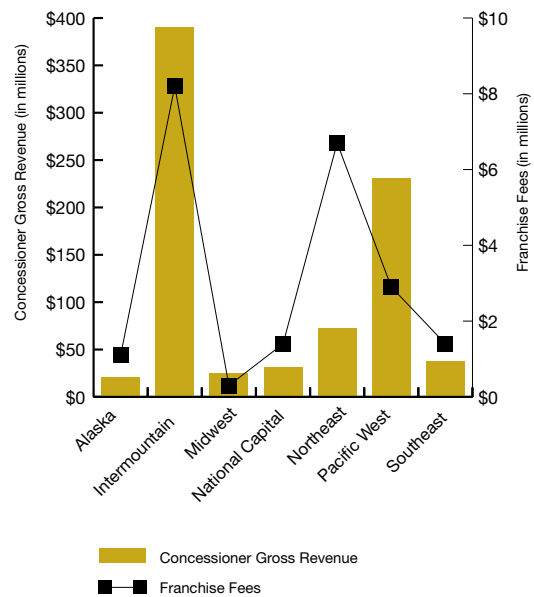
Concessioner Gross Revenue	Percent of Contracts	Percent of Gross Revenue
\$3 Million and Above	9%	81%
\$1 Million to \$3 Million	8%	10%
\$500,000 to \$1 Million	6%	3%
\$100,000 to \$500,000	26%	4%
Zero to \$100,000	43%	1%
Zero	8%	0%

The concession contracts overseen by the NPSCP are spread among the seven regions of the National Park Service. The seven regions are:

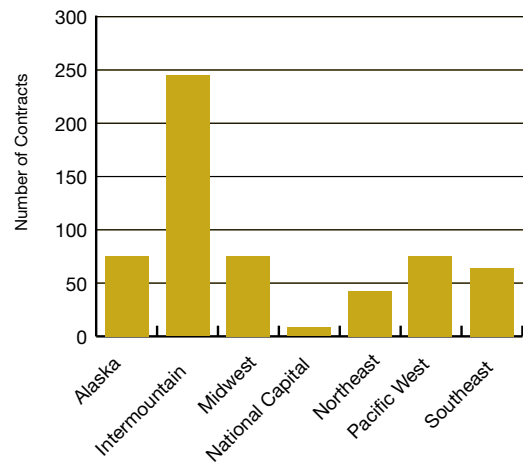
- Alaska
- Intermountain
- Midwest
- National Capital
- Northeast
- Pacific West
- Southeast

The largest of these regions is the Intermountain Region, with more than 40 percent of all concession contracts. Further, the Intermountain Region accounted for more than 40 percent of the total concessioner gross revenue generated in 2001 and more than 55 percent of all franchise fees collected in 2001. The smallest region by number of concession contracts is the National Capital Region, with 2.2 percent of all concession contracts, and the smallest region by concessioner gross revenue is the Alaska Region, whose concession contracts generated 2.6 percent of all concessioner gross revenue in 2001. Concessioner gross revenue, franchise fees, and number of contracts are shown by region in the figures to the right.

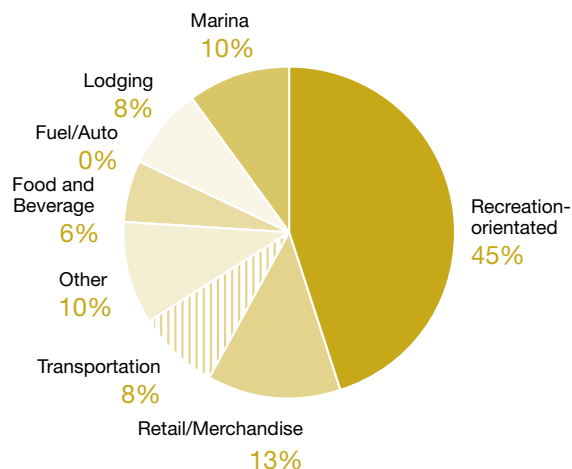
Concessioner Gross Revenue and Franchise Fee Distribution by NPSCP Region



Concession Contracts by NPSCP Region



Concession Contract Distribution  
by Primary Revenue Source

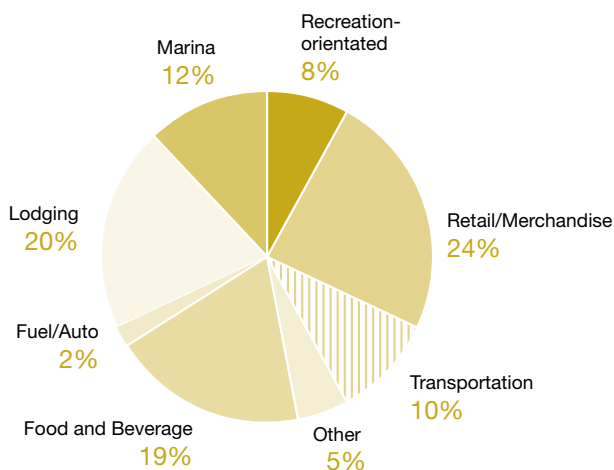


A variety of visitor services are provided by concessioners in the National Parks; these visitor services may be condensed into nine general types according to their primary revenue source:

- Food and Beverage
- Fuel/Auto
- Lodging
- Marina
- Recreation-oriented
- Retail/Merchandise
- Transportation
- Other

Recreation-oriented contracts include such services as outfitters and guides and other resource-based services. Contracts in the “other” category include those primarily providing trailer, vending, bathhouse, rentals, health or other similar services. As shown by the figure, to the left, nearly half of all concession contracts derive their primary source of revenue from recreation activities, making this type of contracts the largest component of NPSCP concession contracts.

Concessioner Gross Revenue  
Distribution by Type

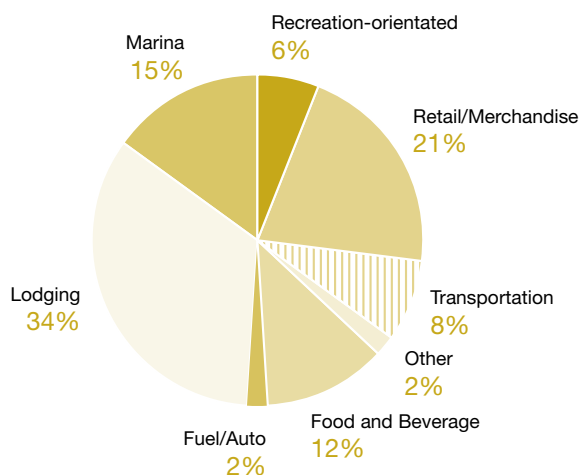


The distribution of all concessioner gross revenue by type provides a different perspective than the previous figure. Although 45 percent of NPSCP concession contracts derive their primary source of revenue from recreation-oriented activities (not necessarily generating less than \$500,000 in gross revenue), less than 10 percent of all concessioner gross revenue is generated by these activities. This identifies that recreation-orientated contracts are typically small concession contracts in terms of total revenue generation. In contrast, retail/merchandise activities account for nearly a quarter of all concessioner gross revenue, with an additional 39 percent of concessioner gross revenue split approximately evenly between food and beverage and lodging activities. The distribution of concessioner gross revenue by type is presented in the figure to the left.

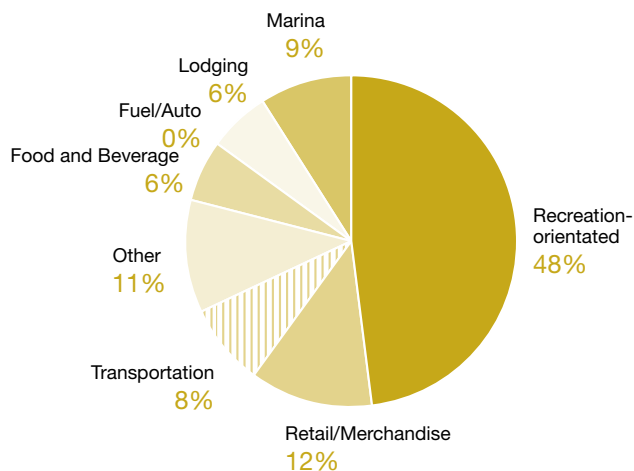
Concession contracts generating greater than \$3 million are comprised primarily of complex hospitality businesses, while lower revenue-generating contracts are dominated by businesses such as recreation-orientated services. The distinct differences in the composition of concession contracts above and below the \$3 million gross revenue hurdle is made clear by the two figures to the right. The first figure presents concession contract distribution by primary type for concession contracts generating greater than \$3 million in annual gross revenue, while the second figure illustrates the corresponding distribution for concession contracts generating less than \$3 million in annual gross revenue.

Concessioner franchise fees are a monetary return to the government provided by law. The law states, "A concessions contract shall provide for payment to the government of a franchise fee or such other monetary consideration as determined by the Secretary, upon consideration of the probable value to the concessioner of the privileges granted by the particular contract involved. Consideration of revenue to the United States shall be subordinate to the objectives of protecting and preserving park areas and of providing necessary and appropriated services for visitors at reasonable rates." The franchise fees paid by concessioners operating in the National Park Service are used primarily for enhancement of the visitor experience, as well as for the protection of visitor facilities and other important functions. All franchise fees collected are re-invested in the National Park Service Concession Program in some form (e.g. concession contracting, environmental management, contract certification, deferred maintenance, contract oversight, etc.)

Concession Contract  
Distribution by Type  
(Contracts above \$3 million)



Concession Contract  
Distribution by Primary Type  
(Contracts below \$3 million)





Many parks have multiple concession contracts providing visitor services and paying franchise fees. An examination of franchise fees by concession contract indicates that seven contracts combined generated more than half of all franchise fees collected by the NPSCP in 2001. It is important to note that franchise fees are only one form of monetary compensation provided to the government by concessioners. The other is concessioner deposits to special accounts used for capital improvements and facility maintenance. In 2001, concessioners paid the government nearly \$22 million in franchise fees, and deposited almost \$21 million in special accounts. Most importantly, however, NPSCP concessioners provide vital commercial visitor services on behalf of the National Park Service. The societal benefit of these visitor services transcends monetary value, as they provide the means for Americans to experience their National Parks.

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## Secretary Norton's Citizen-Centered Governance

**Customer Value:** requires focusing on our constituents and the results that they expect and need, and looking for the most efficient and effective ways of providing them.

**Accountability:** is truth in advertising. It means we have a responsibility and must have the ability to accurately and completely show what we are doing with the money we get from the American people.

**Modernization:** means we must have the people skills and technology to function in the 21st Century. It means we must find ways to keep up with the times.

**Integration:** means we must ensure coordination of our efforts. Traditionally, we have tended to coalesce around programmatic or professional specializations. We must look at the bigger picture and consistently build relationships, human and technological, across the old "stovepipes."

# Discussion of Operations



In FY01, the NPSCP developed an Action Plan following a comprehensive external program review. The Action Plan was developed to address NPSCP program needs and to align with the four management principles outlined in the Department of the Interior's Strategic Plan, Plan for Citizen-Centered Governance and the President's Management Agenda. The four management principles are:

- Customer Value;
- Accountability;
- Modernization; and
- Integration.

The Action Plan focuses on six program goals. Each goal has related strategies and action steps. A total of sixty five individual action steps are included in the Action Plan and progress has been made on each of them. The table on the following page is a "summary roll-up" of these action steps and indicates the progress that has been made in achieving strategy completion as of the end of FY03. Four categories of progress were identified, along with a percentage of completion: Beginning (25-50%), In Progress (50-75%), Nearing Completion (75-100%) and Completed (100%).

The following pages provide examples of progress that has been made under each of the six Action Plan goals. For more specific detail on the individual action steps, please contact the Concession Program Manager.

## Action Plan Program Goals and Supporting Strategies

## Status

Goal # 1: Develop and Execute a Prudent Management Plan to Rollover all Contracts as Expeditiously as Possible

Strategy: Develop Plan for High Value Contract Rollovers

Strategy: Develop Plan for Small/Medium Contract Rollovers

Strategy: Initiate an Arbitration Strategy

Complete

Nearing Completion

In Progress

Goal # 2: Ensure the National Park Service Exercises its Fiduciary Responsibility Related to Concession Contracts

Strategy: Redesign Concession Program Organizational Structure to Increase Fiduciary Oversight

Strategy: Review and Improve the Concession Program Business and Management Processes

Strategy: Enhance Oversight for All Contracts

In Progress

In Progress

In Progress

Goal #3: Enhance the Suitability and Variety of Concessions in the National Park Service

Strategy: Improve the Use of Commercial Visitor Services Planning in Identifying Suitable Visitor Services

Strategy: Develop and Implement Measurable Quality Standards for all Visitor Services Land Uses

In Progress

In progress

Goal #4: Ensure Concessions Represents Sound Environmental Management

Strategy: Institute a Concession Environmental Management Program

Nearing Completion

Goal # 5: Ensure Staff Competencies are Appropriate for the Concession Program

Strategy: Determine and Assess Staff Competencies for the Concession Program

Strategy: Develop Staff Training and Monitoring Program to Ensure Competency Enhancement

Nearing Completion

In Progress

Goal # 6: Enhance Relationships with Internal and External Stakeholders

Strategy: Develop Reporting Tools for Contracting Status and Asset Oversight

Nearing Completion



## Goal One: Develop and Execute a Prudent Management Plan to Rollover all Contracts as Expeditiously as Possible

### “Customer Value”

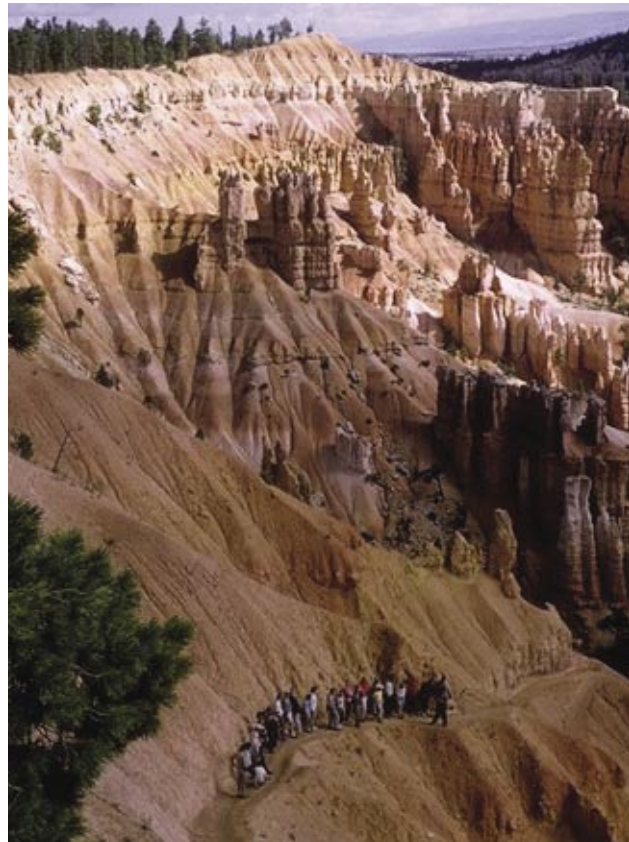
Of the three concession management business processes, concession contracting has been the key priority since the passage of PL 105-391. Over the course of the past year, business opportunities for 132 concession contracts were developed.

Additionally, the NPSCP has enhanced its capacity to assist parks with concession contracting with the award of an Indefinite Delivery, Indefinite Quantity (“IDIQ”) contract to four national firms to provide private sector expertise to the National Parks in the area of concession contract development and planning.

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*“Contracting for commercial services in our parks and consistent application of oversight of these contracts has become the most important management function of the concession program. With your participation, we can together design a business solution that will best serve our visitors, protect our resources and ensure an appropriate return to both the government and our concessioners.”*

*Fran Mainella,  
NPS Director, FY01*



## Goal Two: Ensure the National Park Service Exercises its Fiduciary Responsibility Related to Concession Contracts

### “Accountability”

Fiduciary responsibility related to concession contracts requires that the policies and procedures guiding concession oversight are in place. Over the last year, the NPSCP has worked to enhance the policies and procedures embedded in the concession contracting process, which will permit future oversight to occur. Working collectively, the NPSCP and its business advisor have enhanced the operating and maintenance plans in concession contracts. This includes identifying operational standards, clarifying NPS and concessioner roles and responsibilities and enhancing financial and operational reporting.

Included in oversight is the assurance that the franchise fees that the NPS establishes in prospectuses reflect the guidance of PL105-391, “...the probable value to the concessioner of the privileges granted by the particular contract involved. Consideration of revenue to the United States shall be subordinate to the objectives of protecting and preserving park areas and of providing necessary and appropriated services for visitors at reasonable rates.” In FY03, business processes were established for franchise fee analysis supporting contracts grossing over \$3 million, and policy guidance was developed for concession contracts grossing under \$500,000.

Additionally, to support ongoing business advisory support for contract oversight, the NPSCP awarded a separate IDIQ contract to PricewaterhouseCoopers LLP for corporate business advisory services.



*“I ask for continued diligence in your efforts to advertise, award and execute the remainder of expired contracts and permits. Doing so will enable us to meet our commitment to both Congress and the administration, and ensure the very highest quality of service and facilities to our visitor.”*

*Richard Ring,  
Associate Director for Administration, Business Practices  
and Workforce Development, FY03*

## Goal Three: Enhance the Suitability and Variety of Concessions in the National Park Service

### “Customer Value”

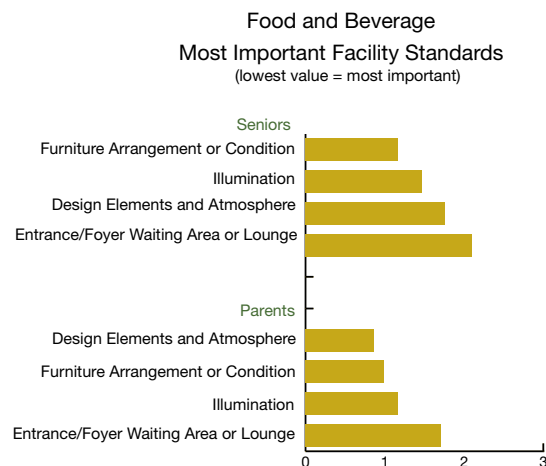
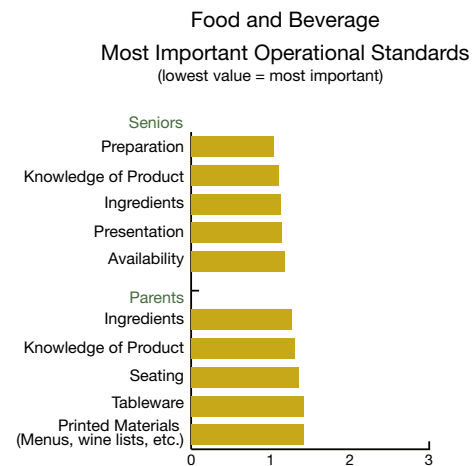
Enhancing the suitability of commercial visitor services in National Parks involves having a clear understanding of visitor expectations and ensuring that facilities and operations meet these standards. Over the last year, the NPSCP and PricewaterhouseCoopers LLP facilitated a series of focus groups across the United States. The purpose of these focus groups was to gather input about facility and operating standards from people who had visited National Parks for the following types of facilities:

- Food and Beverage
- Lodging
- Retail
- Marinas

A total of six focus groups were conducted at the following locations, with separate sessions conducted for people of age 60 or older and for parents with children under the age of 18.

- Washington, D.C.
- Denver, Colorado
- Phoenix, Arizona

Understanding the importance of operational and facility standards across asset classifications was accomplished by having each focus group participant rate the importance of standards that had been previously developed by a NPSCP working group. The scale used was from one to three, where one was “very important,” two was “important,” and three was “not important.” Altogether, a total of 111 standards were assessed in the focus groups. Provided in the figures to the right are samples of feedback received from visitors to the NPS regarding priorities for operational and facility standards for food and beverage facilities.



*“I see the importance of well defined standards from three perspectives: the NPS, the concessioner and the visitor. The NPS needs clear and concise standards to allow for consistency in their evaluations. Standards provide concessioners guidance regarding the NPS’s priorities for visitor services. Finally, standards are important to visitors, they allow visitors to know what they are purchasing and evaluate whether it meets their expectations.”*

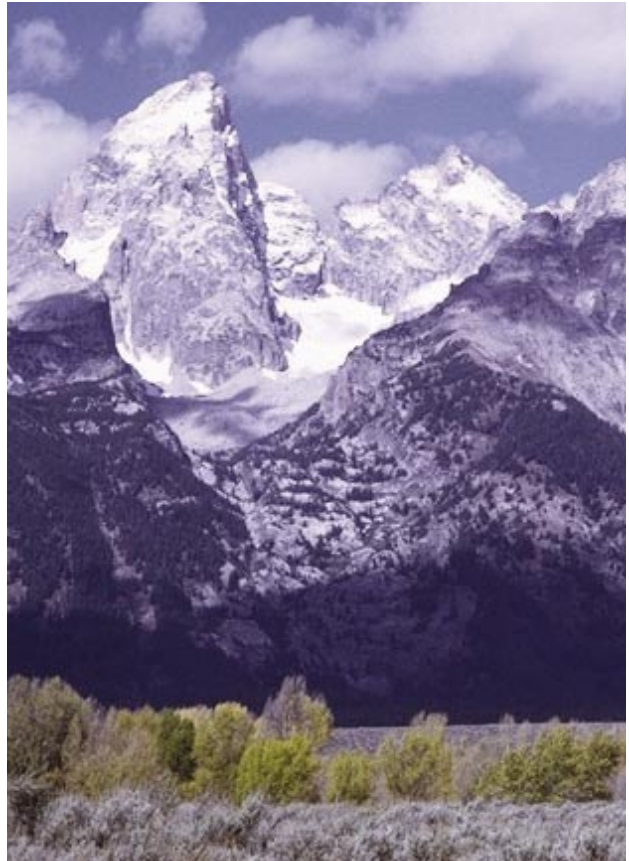
Alan Naille,  
Chairman, Concession Management Advisory Board, FY03

## Goal Four: Ensure Concessions Represents Sound Environmental Management

### “Customer Value” and “Integration”

The NPS cooperates with partners to protect, preserve and conserve National Parks. The relationship with concessioners is a partnership that allows for the provision of accommodations, services, and facilities necessary and appropriate for visitors to enjoy park resources. In addition to partnering with concessioners, the NPS earlier this year formed a partnership with a non-regulatory program within the United States Environmental Protection Agency (“EPA”).

This new partnership was finalized on March 13, 2003, when NPS Director Fran P. Mainella and former EPA Administrator Christine T. Whitman signed a Memorandum of Understanding (“MOU”). The NPS Concession Environmental Management Program (“CoEMP”) and the EPA National Center for Environmental Innovation will be working together to promote Environmental Management Systems for small businesses and identifying cost-effective and business-specific Best Management Practices. As a result, concessioners can receive free assistance from both the CoEMP and EPA when developing Environment Management Programs and identifying and implementing Best Management Practices.



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*“Both the National Park Service and Environmental Protection Agency are leading environmental organizations dedicated to conservation and collaboration. So it is appropriate for us to lead this new initiative on improved environmental management and performance in concession contractual relationships.”*

*Fran Mainella,  
NPS Director, FY03*



## Goal Five: Ensure Staff Competencies are Appropriate for the Concession Program

### “Modernization”

Providing training opportunities in the area of concession contracting and the hospitality industry allows the NPSCP staff to enhance their competencies for program effectiveness.

The Northern Arizona University (“NAU”) School of Hospitality Management and the NPSCP are now in their third year of an ongoing partnership to deliver a hospitality management and certification curriculum that will improve the professionalism of the NPSCP staff. Course work within this curriculum covers over 400 hours of study over a two year period and includes Hospitality Management, Managerial Accounting, Business and Hospitality Law, Management and Leadership and Concessions Law and Regulations. During FY03, 20 individuals graduated and received their certification from NAU. An additional 23 NPSCP staff members are currently enrolled in the program.

In FY03, the NPSCP delivered two “Introduction to Concession Contracting” courses. This forty-hour course covers concession contracting procedures for Category III contracts and was expanded this year to address Category II contracts. Fifty NPSCP staff and four Department of the Interior Solicitors completed the training this year.



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*“We embrace the need for Hospitality Certification and furthermore believe it is integral to the core competencies of the Concession Program workforce. Our studies have improved our business acumen, given us tools to better fulfill our obligations and have added visibility and credibility to the Concession Program.”*

*Excerpt from Open Letter from First Graduating Class of NAU/  
NPSCP Hospitality Curriculum, FY03*

## Goal Six: Enhance Relationships with Internal and External Stakeholders

### “Customer Value” and “Modernization”

Enhancing relationships with external stakeholders includes sharing the NPSCP best practices internationally. In FY03, the NPSCP provided professional assistance to Argentina and Russia in the area of visitor service management.

In September of 2003, an International Technical Assistance Program (“ITAP”) team was invited to engage in a series of meetings with park directors, staff and local stakeholders of the Kamchatka Protected Area (“Kamchatka PA”) in Russia. Recommendations to the Kamchatka PA included development of commercial visitor services plans and the provision of concession contracting guidelines.

*“I would like to express my sincere gratitude for your assistance to UNDP/GEF Project, Kamchatka, on concessions and financial planning. Knowledge received by the participants at the workshop will help them in their further work on development of Kamchatka’s protected areas.”*

*Yuri Karmadonov,  
Project Manager, UNDP/GEF Project, Kamchatka, FY03*

As part of an established Memorandum of Understanding with the National Park Administration of the Secretariat for Natural Resources and Sustainable Development of Argentina, the NPS was asked to conduct seminars on concession administration. Approximately 50 national park rangers from throughout Argentina convened in Patagonia, to learn about the U.S. National Park Service Concession Program’s pricing, evaluation, contracting, and financial analysis programs. The conservation concerns of the Argentine Park Service (“APN”) mirror many of those faced by the U.S. National Park Service. The working group found great value from what they learned to enhance the APN concessions program.

*“All of our staff wants to thank-you again for the great experience we lived during your days in Buenos Aires. We learned a lot from you. Thank-you very much for your patience and kindness.”*

*Guillermo Martin,  
Director de Aprovechamiento de Recursos Administracion de Parques Nacionales, FY03*

**Cindy Orlando,**  
NPSCP Concession Manager and  
**Guillermo Martin,**  
Concessions Director of the  
“Administracion de Parques Nacionales, Republica Argentina”



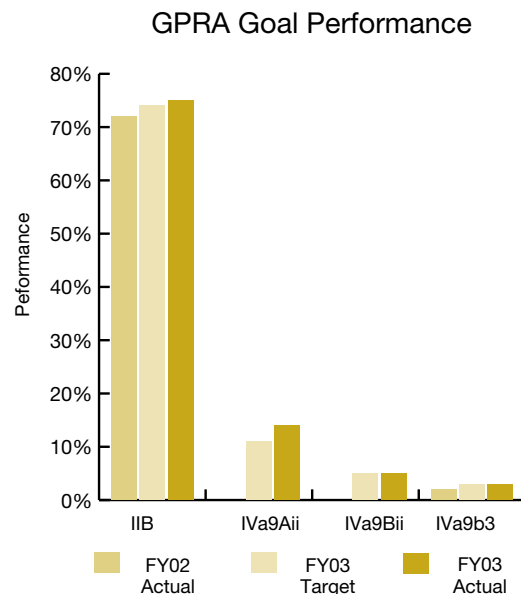
# Government Performance and Results Act Goals



Government Performance and Results Act (“GPRA”) Goals were established by Congress in an effort to track the performance of the National Park Service in four key subjects:

- Preservation of Park Resources
- Public Enjoyment & Visitor Experience
- External Partnerships
- Organizational Effectiveness

Within each of the four subjects, Congress established specific goals for the NPS to meet by the end of FY08, with interim goals to be met at the end of each fiscal year beginning in 2002. Four of these specific goals apply to the Concession Program, and the program’s performance on these goals is summarized in the following figure and described in the following paragraphs.



### Goal IIb

The first goal for the NSPCP is that 79 percent of visitors are satisfied with commercial services by the end of FY08. The FY03 planned target was 74 percent, and the NPSCP achieved a value of 75 percent. This is particularly noteworthy because it represents a three percentage point increase over FY02 performance.

### Goal IVa9Aii

The second GPRA Goal applying to the NPSCP is that concession operations will undergo an environmental audit to determine baseline performance. The FY03 planned target is 11 percent, with a FY08 goal of 36 percent. The NPSCP completed environmental audits for 14 percent of concession operations, surpassing the planned target by three percentage points.

### Goal IVa9Bii

The third GPRA Goal applying to the NPSCP is that concession operations have fully implemented the regulatory recommendations arising from environmental audits. The FY03 planned target is five percent, with a FY08 goal of 18 percent. The Program met its FY03 planned target by achieving a five percent implementation rate.

### Goal IVb3

The fourth goal for the NSPCP is that returns from park concession contracts are 6.5 percent of gross concessioner revenue by the end of FY08. The NPSCP achieved its planned target of percent return from gross concession revenues equal to three percent for FY03. This represents a 58 percent increase over the FY02 achieved value of 1.9 percent.

### Note Regarding GPRA Goals

As discussed, the four GPRA Goals related to the NPSCP cover only three specific issues. In reality, the NPSCP addresses many issues, including development of new concession contracts to prevent interruption of visitor services and monitoring of government assets and related financial obligations. In the future, the GPRA Goals may be expanded to include such topics.



# Discussion of Financials



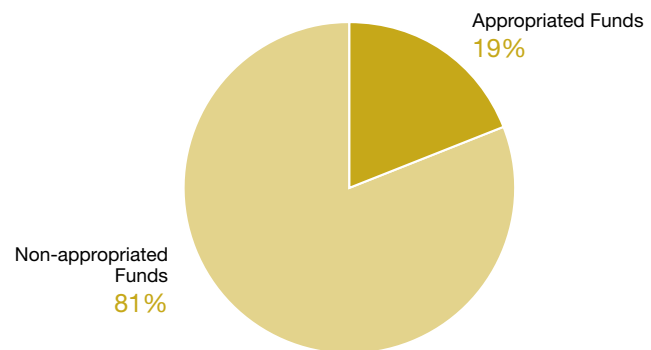
The National Park Service Concession Program is comprised of three operating levels:

1. Washington (including the Staff in Denver)
2. Seven Geographic Regions
3. Parks

Each of the three operating levels are supported by a mix of appropriated (“APF”) and non-appropriated (“NAF”) funds. Non-appropriated funding is generated from the collection of franchise fees from concessioners which are deposited into sub-accounts and are available for expenditure by park (80%) and Washington Office (20%) and concessioner deposits to special accounts.

In FY03, the NPSCP generated more than \$47 million in franchise fee collections and special account deposits. In contrast, the program received \$11 million in appropriated funds. Both funding

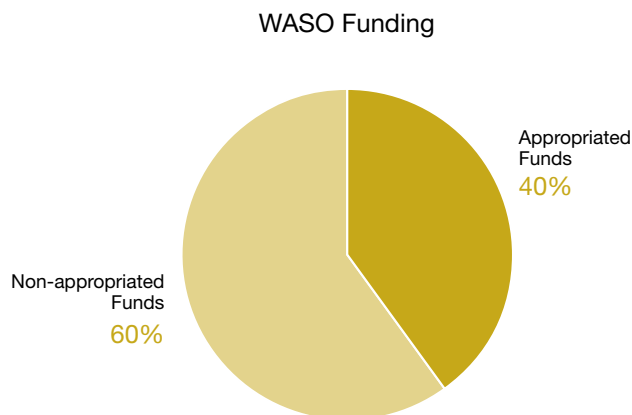
National Concession Program Funding



components are critical to the continued success of the Program. The Program’s appropriated funds are used primarily for payroll expenses at the park level. The above chart illustrates the NPSCP’s funding composition.

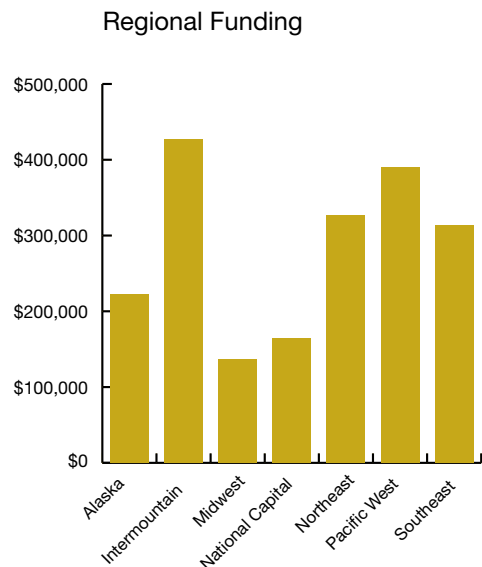
## Washington

The Washington Office (“WASO”) is responsible for the entire National Park Service Concession Program and concession-related policy. WASO operates using appropriated funds. Twenty percent funds are available from allocation of franchise fees. These non-appropriated funds are used for service-wide projects in the areas of developing staff competencies and certification, environmental audits and outsourcing for concession contracts and business advisory services.



## Regions

The National Park Service is divided into seven regions, as discussed previously. The NPSCP operates under these same seven regions. The regional concession operations are funded entirely by appropriated funds, the majority of which is spent on staffing. A distribution of this funding by region is provided in the chart below.



Regions are also allocated funding from the WASO 20 percent non-appropriated funding for service-wide efforts. Regional concession offices are responsible for providing support for Park-level concession operations and implementing service-wide concession policy.

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## Parks

Park-level concession operations are funded both by appropriated and non-appropriated funds. Appropriated funds are used almost exclusively to support Park-level NPSCP staff, while franchise fee collections and special account deposits are used to support other concession-related operations occurring in each park. The first priority for the use of 80 percent franchise fee accounts continues to be the concession contracting effort for those parks that have expired contracts or contracts that need to be advertised within the next 36-48 months. Once the contracting effort is fully funded, park management may set other priorities for funding, taking into account other concession needs as a first priority, including buy-out of possessory interest or leasehold surrender interest, the backlog of capital projects and deferred maintenance, retrofits for accessibility, structural fire and energy efficiency and contract oversight and related asset management needs that may be identified.

## Financial Statements

### *Fiscal 2003 Consolidated Sources and Uses*

	Fiscal Year	
	2002	2003
<b>SOURCES OF FUNDS</b>		
APF		
WASO	\$1,841,000	\$3,295,000
Regions	\$1,735,787	\$1,979,235
Parks	<u>\$5,822,300</u>	<u>\$5,953,501</u>
<i>Total APF</i>	<i>\$9,399,087</i>	<i>\$11,227,736</i>
NAF		
Franchise Fees & Special Accounts	\$42,975,799	\$47,696,469
<i>Total NAF</i>	<u><i>\$42,975,799</i></u>	<u><i>\$47,696,469</i></u>
TOTAL SOURCES	\$52,374,886	\$58,924,205
<b>USES OF FUNDS</b>		
APF		
WASO	\$1,841,000	\$3,295,000
Regions	\$1,735,787	\$1,979,235
Parks	<u>\$5,822,300</u>	<u>\$5,953,501</u>
<i>Total APF</i>	<i>\$9,399,087</i>	<i>\$11,227,736</i>
NAF		
WASO	\$3,775,000	\$3,000,407
Regions	\$ –	\$ –
Parks	\$32,168,113	\$36,565,338
<i>Total NAF</i>	<u><i>\$35,943,113</i></u>	<u><i>\$39,565,745</i></u>
TOTAL USES	<u>\$45,342,200</u>	<u>\$50,793,481</u>
<b>SURPLUS (DEFICIT)</b>	<u><b>\$7,032,686</b></u>	<u><b>\$8,130,724</b></u>

## Notes to Sources and Uses Statement

1. Financial information contained in this report is UNAUDITED and may be used only as a general overview of the National Park Service Concession Program.
2. Sources and uses of appropriated funds are assumed to equal each other and appropriated fund budgets.
3. Park-level appropriated funds are estimated to equal payroll associated with park-level concession employees and are estimated based on FY03 salaries of park-level NPSCP employees who are on record in FY02 plus an estimated allocation of collateral duty employees.
4. Non-appropriated sources include franchise fee collections and special account deposits.
5. Franchise fee collections are assumed to equal franchise fees assessed.
6. Surplus funds from special account deposits can not be expended on anything other than the concession assets from which they were derived.

## Government Debt Obligation

Concession contracts written prior to the passage of PL105-391 include language regarding compensation rights for concessioner improvements. This interest in the improvements was identified as Possessory Interest (“PI”). Possessory Interest was described as, “all incidents of ownership, except legal title which shall be vested in the United States.” <sup>(1)</sup> The value of Possessory Interest was outlined in PL89-249 as “sound value” and defined as, “reconstruction cost less depreciation evidenced by its condition and prospective serviceability in comparison with a new unit of like kind, but not to exceed fair market value.” <sup>(2)</sup> It is important to note that the compensation for concessioner Possessory Interest is, in effect, guaranteed either by the newly selected concessioner or the U.S. government (if no successor is identified). Therefore, Possessory Interest reflects a potential governmental obligation. As reported in the 2001 NPSCP AFR database, 113 concession contracts reported assets in which Possessory Interest was claimed. This represents nearly 20 percent of concession contracts. The cumulative value of Possessory Interest cannot be calculated until a contract expires and the Possessory Interest value is determined. Since the passage of PL 105-391, the cumulative value of PI that has been successfully converted to Leasehold Surrender Interest (“LSI”) is \$257 million. As contracts roll over, the NPSCP will continue to present the PI to LSI conversion values in this report.

<sup>(1)</sup> Public Law 89-249, 1965, Section (6)

<sup>(2)</sup> Ibid

## Condition Assessment Progress

In FY02, the NPSCP commenced a comprehensive condition assessment initiative. This process identifies deferred maintenance on concession facilities and establishes the on-going maintenance requirements of concessioner facilities. This process was developed to assist in improving the prospectus development process as well as to meet the Agency’s and President’s objectives of reducing the Maintenance Backlog in our National Parks. As of the end of FY03, the NPSCP has completed condition assessments on a total of 3.9 million square feet of concession assets, representing 56.5 percent of all concession asset square footage. The NPSCP will continue to complete condition assessments on concession facilities as concession contracts are developed and will report annually on the Program’s progress.



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## NPS Officials

Program Manager: *Cindy Orlando*

Alaska Region: *Kevin Apgar*

Intermountain Region: *Judy Jennings*

Midwest Region: *Sandy Poole*

National Capital Region: *Steve LeBel*

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